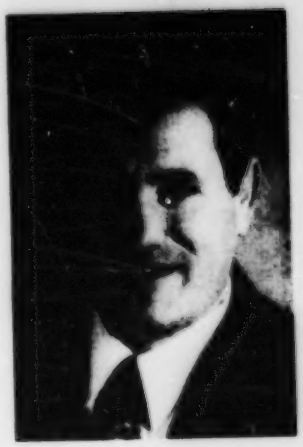
Government of
Saskatchewan

Annual Report
2001-2002

Saskatchewan Finance

Letters of Transmittal



Her Honour the Honourable Dr. Lynda M. Haverstock
Lieutenant Governor
Province of Saskatchewan

May It Please Your Honour:

I respectfully submit the Annual Report of Saskatchewan Finance for the fiscal year ending March 31, 2002.

Eric Cline
Minister of Finance
July 31, 2002

The Honourable Eric Cline
Minister of Finance

Dear Sir:

I have the honour of submitting the Annual Report of Saskatchewan Finance for the fiscal year ending March 31, 2002.

Respectfully submitted,

Ron Styles
Deputy Minister of Finance
July 31, 2002

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Introduction

2001-02 Annual Report

The Department of Finance has a unique role to play in the affairs of the Province of Saskatchewan. As a central agency, Finance is responsible for advising the Government on financial implications associated with its policy decisions. The Department manages and controls the finances of the Province to ensure appropriate use of public funds. It maintains a close working relationship with the federal government, other provincial governments and other government bodies within the province to effectively address financial issues of mutual concern.

The Department of Finance is responsible for receiving and disbursing the majority of revenues for the Government of Saskatchewan. These include revenues from taxation and non-renewable resources; transfers from Government entities, such as Crown Investments Corporation of Saskatchewan; and transfers from the federal government. Revenues are disbursed through Finance to government departments to fund public services such as health care, education and road maintenance. To ensure an increasing level of government-wide accountability, Finance assists departments in implementing the Government's Accountability Framework.

These roles and responsibilities constitute the "behind the scenes" work of the Department. Finance also provides services directly to the public through delivery of the Saskatchewan Savings Bonds program; administration of provincial pension plans and employee benefit plans; administration of provincial tax programs, including the Provincial Sales Tax; and communication initiatives to keep the public informed on finance-related issues.

Finance employs 438 people trained in fields ranging from economics and accounting to information technology, human resources, public policy, commerce and many other skilled and professional fields. Although the Department is organized in a traditional manner, the functions it performs require that staff work together across division lines to achieve its goals.

This Annual Report highlights activities and operations for 2001-02 and provides information about the Department's mandate, the environment in which it operates and the manner in which it supports the overall goals and directions of the Province of Saskatchewan.

Core Business Areas

The Department provides the Minister of Finance, Treasury Board, Cabinet and the Government with information, analysis, advice and services in seven core business areas.

1. Revenue, Expenditure, Fiscal and Economic Policy

Finance supports effective government decision making by providing up-to-date information, policy analysis and advice to the Minister of Finance, Treasury Board, Cabinet and government departments. This includes financial and policy advice on budget decisions, updates on the Province's revenue and expenditure position, as well as information on general economic and social issues. Finance establishes and coordinates the budget development process to enable Treasury Board and Cabinet to make effective resource allocation decisions.

The Department is also responsible for working with the federal government on programs such as Equalization, the Canada Health and Social Transfer, the Canada Pension Plan, fiscal arrangements concerning First Nations in Saskatchewan and other federal-provincial programs.

2. Comptrollership/Financial Management

Finance assists the Legislature and the Government in controlling and accounting for the receipt and disposition of public money. Through the office of the Provincial Comptroller, the Department develops and maintains the government-wide revenue and expenditure systems and ensures that effective financial management and accounting procedures are in place. It also prepares and publishes financial accountability reports, including the Public Accounts.

The Public Accounts report on the Government's revenues and expenditures for the year and its debt position at the end of the fiscal year. The Department's internal audit function helps ensure that departments maintain appropriate financial and management controls and are properly accounting for their revenues and expenditures as authorized through government policy and legislation.

3. Revenue Operations

Finance administers several provincial government revenue and tax rebate programs. This work involves identifying and collecting tax revenues, conducting audits, issuing tax refunds and providing information related to tax and rebate programs.

4. Treasury and Debt Management

Finance borrows to meet the funding requirements of the Government, including Crown corporations and other government agencies. It manages the provincial debt and the cash position of the General Revenue Fund. It also provides an investment management service for various funds administered by the Government, Crown corporations and other agencies.

5. Government Planning and Reporting

Finance is working to improve planning, budgeting, performance measurement and reporting practices across government. This includes the work of the Performance Management Branch (PMB), which plays a central role in the Government-wide initiative to improve overall planning, performance measurement and reporting. The PMB was created in July 2001, combining the mandates and staff of the former Accountability Project Group and the Management Services Unit. The new branch has a mandate to develop and implement a "managing for results" approach within executive government that will strengthen planning, performance measurement and reporting and enhance accountability.

6. Personnel Policy Secretariat

Through the Personnel Policy Secretariat, the Department provides advice and analysis to the Cabinet Committee on Public Sector Compensation and coordinates implementation of Cabinet decisions. As well, the Department houses the Saskatchewan Bureau of Statistics, which reports on provincial and national economic indicators.

7. Corporate Services

Finance provides direction, guidance and support for internal operations and client agencies. This work includes executive management and the management of communications, human resources, financial services, procurement, information technology, security and facilities.

8. Pension and Benefits Administration

The Public Employees Benefits Agency (PEBA) was created as a central body within the Department of Finance, to administer pension and benefit programs for employees of the executive government, Crown corporations and Government-funded bodies.

As part of its mandate, PEBA ensures that adequate funds are in place for all plans, that the plans comply with legislation, and that the plans are administered in accordance with the prevailing governance system. Plan design is reviewed regularly to ensure that the needs of plan members and employers are addressed.

PEBA's operating costs are charged to each of the plans under its administration as an administrative cost. These costs are reported annually in the Public Employees Benefits Agency Revolving Fund Annual Report.

An annual report is prepared and tabled for each pension and benefit plan under PEBA's administration.

Year in Review

The 2001-02 Budget focused on major investments in education, information technology and transportation. This was also Saskatchewan's eighth consecutive balanced Budget, and the fifth consecutive Budget containing tax cuts.

Although introduced and legislated in 2000, Saskatchewan's personal tax reform was the taxation highlight of 2001-02. On January 1, 2002 personal income tax rates were reduced and the non-refundable income tax credits for seniors and dependent children were increased. There were also increases in the tax credit amounts for post secondary education students and for persons with disabilities. Saskatchewan's top marginal income tax rate was the third lowest in Canada in 2002.

A key tax initiative was a 25 per cent reduction in the Corporation Income Tax (CIT) rate for small business along with a 50 per cent increase (from $200,000 to $300,000) in the amount of annual income to which the rate applies.

The 2001-02 Budget contained other tax measures to improve the competitive position of Saskatchewan business, including a tax incentive for mineral exploration.

The Saskatchewan Electronic Tax System (SETS) was launched in July 2001 and became fully operational in September. SETS – the first program of its kind in Canada – cut red tape for Saskatchewan business by allowing firms to file and pay provincial taxes over the Internet. By March, 740 Saskatchewan businesses were making use of the system. In March 2002, SETS was also made available to Saskatchewan farmers as a means of applying for their fuel tax rebates.

The economic slowdown following the events of September 11, 2001 impacted all Canadian governments. However, Saskatchewan was able to remain on track for a balanced Budget through use of the Fiscal Stabilization Fund.

The Mid-Year Report was introduced in 1992 as one means of providing Saskatchewan residents with more open and timely information on the management of their Province's finances. A further significant step towards improved openness and accountability was taken in February 2002 with introduction of quarterly financial reporting. The first-ever Third Quarter Report was released on February 20, 2002. It showed Saskatchewan continued to be on track for its eighth consecutive balanced Budget despite spending pressures and negative impacts on revenue from a global economy that remained cool.

Other 2001-02 highlights included:

- Further progress towards improved accountability – this year, for the first time ever, the department is publishing its Performance Plan for 2002-03 with this Annual Report (Performance Plan contained on page 14). The department will report back to Saskatchewan people on progress made, following the close of the 2002-03 fiscal year.
- Greater independence for the Provincial Auditor through introduction of amendments to *The Provincial Auditor Act*.
- Signing of further agreements with First Nations on the refund of Fuel and Tobacco Taxes.
- The sale of nearly $50 million in Saskatchewan Savings Bonds, bringing the total amount of bonds held by investors to $783 million.
- Signing of a joint Service Management Framework Agreement between the Federal (Canada Customs & Revenue Agency) and Provincial (Saskatchewan Finance) Governments.

Goal: Saskatchewan is Fiscally Strong and Stable

A Sound Financial Plan

The Department of Finance helps maintain and enhance the fiscal stability of the Province by developing, implementing and monitoring the Government's financial plan.

The 2001-02 Budget set out a plan to:

- maintain a balanced Budget in 2001-02;
- increase investments in health, education, transportation, information technology, and other public services; and,
- continue implementation of personal tax reform.

By the end of the fiscal year, these goals were met.

Total General Revenue Fund (GRF) revenue for 2001-02 was $17 million, or 0.3 per cent, above the 2001-02 Budget estimate. Revenue from taxation was $156 million lower than budgeted, largely due to a $128 million decline in Corporation Income Tax revenue. CIT revenue declined as a result of weaker national and Saskatchewan taxable income. Equalization transfer payments from the federal government were $115 million higher than budgeted, partly as a result of reduced CIT revenue. As planned in the 2001-02 Budget, a $200 million dividend was taken from Crown Investments Corporation.

Total GRF operating expenditure for 2001-02 was $59 million (1.0 per cent) above the 2001-02 Budget estimate. The increase was primarily due to an accounting change for the Canadian Farm Income Program. Debt servicing costs were $24 million lower than budgeted.

The transfer from the Fiscal Stabilization Fund was increased by $16 million from the 2001-02 Budget estimate, leaving a balance of $495 million in the Fund.

Overall, the Government's financial position for 2001-02 was a surplus of $1.1 million, a modest reduction from the 2001-02 Budget estimate of a $2.8 million surplus.

Forecasting and Analysis

The Department of Finance contributes to the Government's fiscal and economic development strategy and success by monitoring, forecasting and reporting on the economy and by providing policy analysis and public policy alternatives.

In 2001-02, the Department continued to provide regular economic and fiscal updates and analysis to Treasury Board, Cabinet, departments and agencies. This work of the Department helped the Government ensure that its economic, fiscal and taxation policies contributed to its goal of fiscal stability.

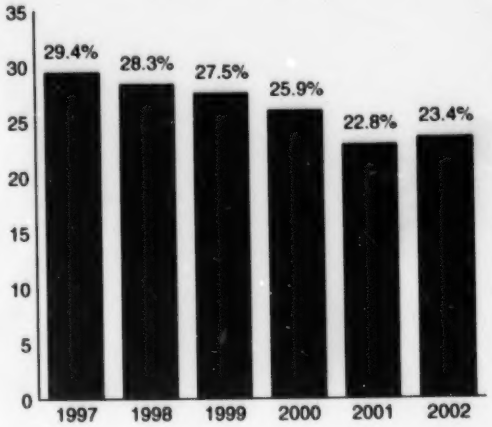
Debt Management

The Department of Finance borrows for the Government and on behalf of Crown corporations. Since the Budget was balanced in 1994-95, Government borrowing has been largely used to refinance existing debt.

The majority of Saskatchewan's total debt is for Government purposes. Government debt has decreased steadily since 1994-95, both in absolute terms and as a percentage of GDP. After increasing during 2001-02 due mainly to a decrease in deposits held, the 2002-03 Budget forecast government debt decreasing in 2002-03 and beyond. Government debt was $7.8 billion at March 31, 2002, down $1.5 billion from its peak of $9.3 billion at March 31, 1994. In the same period, government debt declined from 40.2 per cent of GDP to 23.4 per cent of GDP.

The Department of Finance is committed to protecting the fiscal position of the Province while seeking the lowest overall cost of borrowing. The Cost of Servicing the Public Debt - Government Share, has declined from $881.6 million in 1994-95 to $616.8 million in 2001-02.

General Revenue Fund
Government Debt as a % of GDP



Treasury Management

The Department of Finance manages the Province's cash position, ensuring cost-effective financing to help the Government meet its program objectives. Government borrowing and Crown corporation borrowing in 2001-02 were primarily to refinance maturing debt.

The Province fulfilled its 2001-02 borrowing requirements of $1,329.5 million: $999.5 million for government purposes and $330.0 million for Crown corporations.

Saskatchewan Savings Bonds (SSB) are issued each year to provide Saskatchewan residents an opportunity to invest in their Province. Of the $1,329.5 million financing program, $49.3 million was raised through the SSB program. The remaining $1,280.2 million was borrowed in capital markets. The first preference is to borrow medium and long-term funds, to spread maturing debt over a number of years.

By diversifying the sources of capital, the Department of Finance maintains flexibility to manage the cash and borrowing needs of the Province. Such flexibility ensures access to cost-effective funds in all major world markets. This is essential given the highly volatile nature of capital markets and demands for capital from other issuers in Canada.

Managing Volatility

Saskatchewan has one of the most volatile economies in Canada due to its reliance on natural resources, such as oil and gas. Fluctuations in commodity prices, along with changes in federal transfers and other issues beyond the control of the Government, can significantly affect the revenues of the Province. On the expenditure side, Government responses to unanticipated events, such as forest fires or drought, can create exceptional expenditure demands.

In its 2000-01 Budget, the Government of Saskatchewan established the Fiscal Stabilization Fund (FSF) as a means of stabilizing the fiscal position from year-to-year and facilitating the accomplishment of long-term objectives. The FSF is governed by legislation requiring open and accountable transactions to and from the Fund and clear reporting of such transactions in the Public Accounts.

With the creation of the FSF, all profits of the Saskatchewan Liquor and Gaming Authority (SLGA) are paid to the General Revenue Fund (GRF) on an annual basis. This is a change from the previous practice, where SLGA profits were held as retained earnings from which the Government would draw according to its annual requirements. In addition, the Government may set aside revenues in the FSF to fund future initiatives. In 2000-01, a total of $775 million was transferred to the FSF. In 2001-02, $280 million was drawn down on the Fund, leaving a balance of $495 million at fiscal year-end.

Goal: Saskatchewan is a Prosperous and Socially Responsible Province

A Simple, Fair, Competitive Tax Structure

On January 1, 2001, the Government of Saskatchewan began the three-year implementation of its new personal income tax system. It is based upon a progressive three-rate "tax on income" structure that determines Saskatchewan's personal income tax by applying provincial tax rates directly to taxable income and then deducting provincial tax credits.

As part of the reform of Saskatchewan's personal income tax, the Government of Saskatchewan eliminated the Flat Tax, the Debt Reduction Surtax, the High Income Surtax and the Saskatchewan Tax Reduction. The new personal income tax system's rates and credits are being phased in over a three-year period. During the 2000-01 Session of the Legislative Assembly, the Government enacted legislation for the entire implementation period (see chart below).

Provincial tax credits now generally parallel the federal personal income tax credits. However, the Government of Saskatchewan increased the provincial and spousal credit amounts to $8,000. The new provincial income tax system has also introduced a dependent child credit amount ($2,000 for 2002, increasing by $500 in 2003) and a senior supplement to the age amount ($750 for 2002, increasing by $250 in 2003). These income tax credits are in addition to provincial credits for seniors, the disabled, caregivers, Canada Pension Plan and Employment Insurance premiums, pension income, student loan interest, tuition fees, education amounts, medical expenses and charitable donations.

Saskatchewan's Personal Income Tax System

	2001	2002	2003
Income Tax Rates (on taxable income)	11.5% on first $30,000 13.5% on next $30,000 16.0% on remainder	11.25% on first $30,000 13.25% on next $30,000 15.5% on remainder	11.0% on first $30,000 13.0% on next $65,000 15.0% on remainder
Special Tax Credit Amounts			
Basic/Spousal	$ 8,000	$ 8,000	$ 8,000
Senior Supplement	$ 500	$ 750	$ 1,000
Dependent Children	$ 1,500/child	$ 2,000/child	$ 2,500/child

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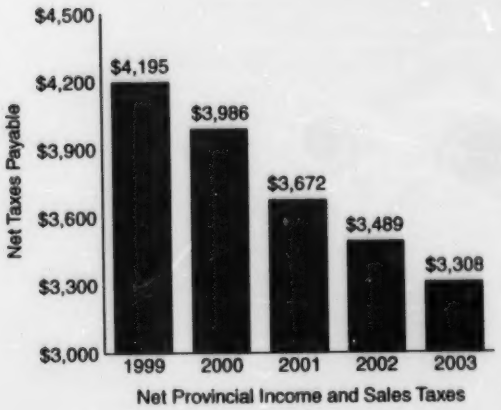
Special Tax Credit Amounts			
Basic/Spousal	$ 8,000	$ 8,000	$ 8,000
Senior Supplement	$ 500	$ 750	$ 1,000
Dependent Children	$ 1,500/child	$ 2,000/child	$ 2,500/child

The implementation of the new personal income tax system features a significant personal tax reduction for the people of Saskatchewan. This was estimated to be $150.6 million for the 2001-02 fiscal year, growing to annual savings of $260 million in 2003. The savings for an average Saskatchewan family will be $887 in 2003. This is reflected in the graph below.

Overall Impact of Tax Return
Two-Income Family Earning $50,000



The Saskatchewan Sales Tax Credit, which is administered by the Canada Customs and Revenue Agency on behalf of the Province, took effect on April 1, 2000. This credit demonstrates the Government's commitment to fairness by offsetting the impact of the sales tax base expansions in 2000 for Saskatchewan families earning less than $35,000.

During the 2001-02 fiscal year, Saskatchewan Finance provided policy analysis and recommendations on a wide variety of taxation matters leading to the Government's taxation policy announcements in the 2002-03 Budget. This included measures to enhance the competitiveness of Saskatchewan's business tax system. Some of the highlights include:

- The Corporation Capital tax exemption was increased to as high as $15 million, depending upon the extent of a corporation's presence in Saskatchewan, effective for corporation taxation years commencing after Dec. 31, 2001, significantly reducing the tax for many Saskatchewan-based companies.
- Beginning July 1, 2002, filing thresholds for remitting Provincial Sales Tax and Liquor Consumption Tax collections are doubled, improving business cash flows and reducing compliance costs.
- The carry-forward period for unclaimed Scientific Research and experimental Development Tax Credit is being extended from seven taxation years to 10 taxation years, retroactive to the introduction of the credit in 1998, allowing smaller knowledge-based companies to better access the credit.
- The definition of manufacturing and processing is being expanded to include the production or processing of electrical energy of steam for sale, to encourage green power development in Saskatchewan.

In 2001-02, the Government introduced a number of initiatives to enhance personal income tax reforms, and to improve the tax competitiveness of Saskatchewan's small businesses. These initiatives were announced in the 2001-02 Budget. The Budget also introduced targeted tax initiatives in support of enhanced oil recovery, the mining sector and the sodium sulphate industry. More specifically:

- Effective for the 2001 taxation year, Saskatchewan increased the provincial education non-refundable income tax credit amount to $400 per month of full-time study and $120 per month of part time study.
- Also effective for the 2001 taxation year, Saskatchewan increased the provincial credit amounts for the disability tax credit, disability supplement, caregiver tax credit and the tax credit for infirm dependants.
- To ensure that certain provincial non-refundable income tax credit amounts will match their corresponding federal amounts, the provincial amounts are fully indexed to changes in the national Consumer Price Index as of January 1, 2001. The Government also announced that indexation of the provincial income tax brackets and special Saskatchewan tax credit amounts will begin in 2004, once tax reform has been fully implemented.
- Retroactive to October 18, 2000, Saskatchewan introduced a temporary Mineral Exploration Tax Credit, which will sunset concurrently with a similar federal credit on December 31, 2003.

- Effective January 1, 2001, Saskatchewan introduced a Political Contribution Tax Credit. Donors to qualifying provincial political parties or election candidates are eligible to claim a provincial tax credit against Saskatchewan personal or corporate income taxes payable.
- Beginning in 2001, the right to incorporate was extended to all regulated professionals, in order to address competitive issues with neighbouring jurisdictions.
- Effective July 1, 2001, the small business corporation income tax rate was reduced to six per cent.
- Effective January 1, 2002, the annual amount of income to which the small business tax rate can be applied was increased to $300,000.
- Effective March 31, 2001, Saskatchewan introduced measures to encourage enhanced oil recovery projects which use carbon dioxide injection for oil recovery in the province.
- Effective April 1, 2001, Saskatchewan introduced a new capital incentive for the sodium sulphate industry to promote investment in more efficient production technologies.

Goal: Government is Accountable for its Revenues, Expenditures and Results

Effective Government Planning, Performance Measurement and Reporting

In 2001-02, Finance continued to play a central role in the implementation of the Accountability Framework, a new approach to planning, performance measurement and reporting. Strategic plans articulate the key outcomes that departments plan to achieve over a multi-year period and how they will go about doing so, performance measures gauge progress toward the outcomes, and year-end reporting compares actual performance to expected results.

All executive government departments participated in the second full planning cycle and worked toward developing sound strategic plans and credible, reliable performance measures. For the first time, Government published an update on commitments made in the 2001-02 Budget with a mid-year report card, released with the November 2001 Mid-Year Report. All departments made good progress on their planning and measurement work, and as a result, a number are now in a position to begin to report publicly on their 2002-03 performance plans and, following year-end, on their actual performance results.

A key task for Finance is to help departments build capacity for planning and performance reporting through training, coaching and information sharing. Several formal training events were held during the year, including an Introduction to Performance Measurement in June 2001 attended by more than 100 staff from all departments. Finance also prepared and distributed various training materials and established a network for staff from all departments to share information and best practices.

The Provincial Auditor's Spring 2002 Report included the results of an audit of Finance's efforts over the period November 1999 to the end of December 2001 to develop a learning culture for performance reporting. The Auditor concluded that the Department is making good progress overall and made two recommendations to help guide our future work to build capacity – to develop a multi-year timetable with incremental targets for improvement and to develop a web site to

communicate best practices. The Provincial Auditor has been very supportive of our efforts to improve performance planning and reporting and Finance will continue to work closely with the Auditor and his staff.

Pursuant to *The Tabling of Documents Act, 2000*, timeframes for tabling of financial statements and annual reports are decreasing. Government entities with March 31, 2001 year-ends were required to table their information by September 27, 2001 – 30 days earlier than the previous year. To help Government meet the new timeframes, the Department advised departments and agencies of the earlier deadlines and provided prompt financial statement approvals. Substantial progress was made by Government entities and earlier tabling dates were primarily achieved.

For the second consecutive year, Volume 1 of the Public Accounts was released within the target release period of 120 days after the fiscal year end. This was one of the earliest release dates of any jurisdiction in Canada and demonstrated the continued commitment to accountability and openness. The Summary Financial Statements included in Volume 1 once again received a clean audit opinion.

Government accounting is undergoing a period of significant change. As the accounting profession develops new standards, it seeks feedback and confirmation from its constituents. During the year, the Canadian Institute of Chartered Accountants released several new proposals for accounting recommendations. These proposals were reviewed and analyzed and comments provided.

Effective Government-Wide Financial Management Practices

The Department of Finance is committed to a high standard concerning financial systems and practices for managing public resources and achieving fiscal accountability. The Department provides direction to, and works with other departments and agencies to ensure appropriate financial management practices are employed.

The Department establishes appropriate standards for the acquisition, development and operation of financial systems. During 2001-02, the Department provided advice on the design and implementation of 22 systems throughout Government.

The Department also monitors and evaluates the Government's financial and related administrative processes to ensure that appropriate rules and procedures are in place. Where financial management practices are found to be inadequate, the Department ensures that officials undertake to implement necessary improvements. During 2001-02, the Department reviewed and evaluated 112 financial management processes. These processes are used in the administration of approximately 33 per cent of the Government's revenues and expenditures.

During 2001-02, the Department assessed and approved the format of 94 financial statements of Crown entities and funds. Of this total, 91 received clean audit opinions.

During the year, the work of the Department of Finance to amend *The Provincial Auditor Act* was completed. The Act received Royal Assent in June 2001. The amended Act provides greater independence for Saskatchewan's Provincial Auditor and maintains Government accountability. The Act provides for an independent process for appointment of the Provincial Auditor. The Provincial Auditor is appointed after unanimous recommendation of the Public Accounts Committee (PAC), an all-party committee of the Legislative Assembly. The Act provides for a 10-year term of office for the Provincial Auditor. It also provides for the independent approval of the Provincial Auditor's budget by PAC. Strengthened reporting requirements for the Provincial Auditor are also included. During the year the Provincial Auditor's budget was approved by PAC for the first time. Also during the year, the Department provided input to PAC on developing a process for the selection of a new Provincial Auditor. On May 15, 2002 the Legislative Assembly of Saskatchewan unanimously approved the appointment of Fred Wendel as the Provincial Auditor.

Serving Saskatchewan Government Departments and Agencies

In 2001-02, the Department responded to more than 6,000 requests from other departments for information from the central financial systems. The departments use this information to help fulfill their respective mandates, policies and obligations and to improve their financial management decisions.

In 2000-01, Treasury Board approved in principal the replacement of the central systems through a four-phase project over five years. The first phase of the MIDAS (Multi-Informational Database Applications) project was launched in 2001-02 and will see the implementation of base financials including modules for the General Ledger, Accounts Payable, Accounts Receivable, Budgeting, Forecasting, Cash Management, and Financial Management Information. Three separate Requests For Proposal were issued for:

- A software solution to meet the Government's needs;
- A consulting company to assist with the development and implementation; and
- A hardware service supplier to provide the infrastructure necessary to operate the new system.

Two of the three contracts were awarded by the end of 2001-02. Oracle Corporation Canada Inc. will provide the necessary software and PricewaterhouseCoopers (PwC) Consulting will assist the Government with the implementation of the Oracle solution. The PwC consultants began work on the project in March 2002 and the contract for the hardware service supplier was awarded in June 2002. The implementation date for Phase I is April 1, 2003.

If approved, Phase II will provide additional financial modules including Self Service Requisitions, Automated Approvals and Workflow, Automated Procurement, Capital Assets and Project Management. Phases III and IV will implement modules for Human Resource Management and Payroll.

The major improvements expected from the first phase of the MIDAS project are:

- **A user-friendly financial system compatible with desktop applications such as spreadsheets, as well as with the Internet;**
- **End-user financial management inquiry and reporting tools that will improve the quality and availability of financial information; and**
- **A centralized budgeting/forecasting system that will provide a consistent method to establish and maintain budgets and forecasts.**

Goal: Saskatchewan Finance Provides Excellent Services to its Clients

Accurate and Timely Information and Services

The Department of Finance provides "client services" to the taxpayers of Saskatchewan in a variety of ways, mainly through the Department's Revenue Division.

Saskatchewan people understand the importance of taxation as a major source of funding for the Government's programs. The Province's taxation systems are more efficient and less costly to administer because of the high levels of self-assessment and compliance shown by individuals and businesses that pay and collect taxes. In this way, the people of Saskatchewan improve the overall effectiveness of the Province's taxation systems as a source of funding for government initiatives.

In 2001-02 the Department:

- processed approximately 22,000 new business registrations (generally issued within two working days), cancellations and account changes
- processed 250,000 tax returns with turnaround times averaging 24-48 hours
- conducted monthly workshops with the Canada Customs and Revenue Agency (CCRA) to provide tax information to new entrepreneurs
- responded to approximately 62,000 inquiries through its toll-free inquiry line
- assisted 3,900 new and existing businesses in understanding the various tax programs and to explain reporting requirements
- maintained approximately 80 different tax information bulletins for businesses

Ease of Tax Compliance

In 2001-02, the Department worked with representatives from several different industries to address various Provincial Sales Tax administrative policies unique to their line of business.

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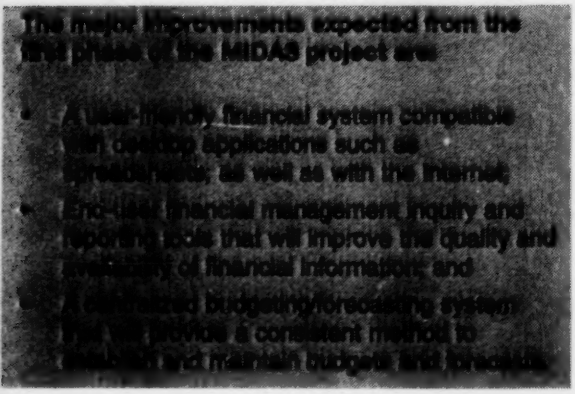
- A consulting company to assist with the development and implementation; and
- A hardware service supplier to provide the infrastructure necessary to operate the new system.

Two of the three contracts were awarded by the end of 2001-02. Oracle Corporation Canada Inc. will provide the necessary software and PricewaterhouseCoopers (PwC) Consulting will assist the Government with the implementation of the Oracle solution. The PwC consultants began work on the project in March 2002 and the contract for the hardware service supplier was awarded in June 2002. The implementation date for Phase I is April 1, 2003.

If approved, Phase II will provide additional financial modules including Self Service Requisitions, Automated Approvals and Workflow, Automated Procurement, Capital Assets and Project Management. Phases III and IV will implement modules for Human Resource Management and Payroll.



Goal: Saskatchewan Finance Provides Excellent Services to its Clients

Accurate and Timely Information and Services

The Department of Finance provides "client services" to the taxpayers of Saskatchewan in a variety of ways, mainly through the Department's Revenue Division.

Saskatchewan people understand the importance of taxation as a major source of funding for the Government's programs. The Province's taxation systems are more efficient and less costly to administer because of the high levels of self-assessment and compliance shown by individuals and businesses that pay and collect taxes. In this way, the people of Saskatchewan improve the overall effectiveness of the Province's taxation systems as a source of funding for government initiatives.

In 2001-02 the Department:

- processed approximately 22,000 new business registrations (generally issued within two working days), cancellations and account changes
- processed 250,000 tax returns with turnaround times averaging 24-48 hours
- conducted monthly workshops with the Canada Customs and Revenue Agency (CCRA) to provide tax information to new entrepreneurs
- responded to approximately 62,000 inquiries through its toll-free inquiry line
- assisted 3,900 new and existing businesses in understanding the various tax programs and to explain reporting requirements
- maintained approximately 80 different tax information bulletins for businesses

Ease of Tax Compliance

In 2001-02, the Department worked with representatives from several different industries to address various Provincial Sales Tax administrative policies unique to their line of business.

Tax Refunds for First Nations:
As part of the 2000-01 Budget, First Nations were given the opportunity to enter into arrangements for the effective removal of the tax on fuel and tobacco purchases made by status Indians on reserves. During 2001-02, the Department of Finance continued to enter into agreements with First Nations and their on-reserve retail outlets. As of March 31, 2002, 47 First Nations had signed agreements with the Government. Under these agreements, the retailers continue to purchase their fuel and tobacco products tax-included from wholesale dealers, but they may apply to Saskatchewan Finance for a refund of the pre-paid tax for their sales made to status Indians.

Tax Exemptions for Farmers:
As of January 1, 2001, the Government implemented an upfront tax exemption for farmers on their farm use gasoline and propane purchased from bulk dealers. This enabled farmers to purchase approximately 90 per cent of their farm gasoline tax-free in 2001.

Electronic Filing:
In order to provide clients with convenient service options, the Department of Finance implemented the Saskatchewan Electronic Tax Service (SETS) in 2001-02.

This Internet-based service offers businesses a secure, fast, easy and convenient alternative to filing returns in paper format. SETS can be used to file and pay returns for:

- Provincial Sales Tax
- Liquor Consumption Tax
- Fuel Tax
- Tobacco Tax
- Beverage Container Program
- Corporation Capital Tax installment payments
- Insurance Premiums Tax

SETS offers a number of unique features, including the ability to post-date filing and to view transactions and statements online. As of March 31, 2002, 740 businesses were registered to use this service. Since implementation in September 2001, about 2,200 tax transactions have been submitted electronically. As well, these businesses used SETS to access their tax account information, with the Department of Finance, more than 3,000 times.

Farmers can also use SETS to file their Farm Fuel Rebate application for gasoline purchased at retail and used in their farming operation. In 2001-02, more than 2,000 Farm Fuel Rebate applications were filed electronically.

The Future: Challenges and Opportunities

The Department of Finance is committed to leadership and innovation in the development of public policy and the practice of public financial management. Accomplishments in 2001-02 provide a solid foundation on which we will continue to improve service to other agencies of government and to the people of Saskatchewan.

While Saskatchewan has enjoyed reasonably steady economic growth in recent years, in 2001 – in particular due to the events of September 11 – we did experience an economic slowdown, as was felt world-wide. A key challenge for the coming years will be to maintain a sound fiscal balance in the face of slower growth and increasing cost pressures. This issue will be addressed through ongoing advice and support to Treasury Board and Cabinet.

Discussions with the federal government about the Equalization Program and the Canada Health and Social Transfer Program, led by Finance, will also impact the Government's ability to maintain and enhance its fiscal position. The Department will continue to urge the federal government to renew its commitment to a strong and adequate Equalization Program and to address the growing financial costs associated with Canada's social programs.

In addition to these discussions, Finance will work towards a new Tax Collection Agreement (TCA) with the federal government. Saskatchewan's objectives will be to negotiate a durable and balanced TCA that respects the joint custody of the income tax field and addresses tax competitiveness. Finance will also continue to support an extension of the federal government's corporate income tax rate reduction to all business sectors, including the non-renewable resource-producing sector.

In its 2000-01 Budget, the Government set out a plan to improve services to people through better use of technology. Over the next several years, the Government will be modernizing its infrastructure to create Saskatchewan's digital e-government system.

In 2002-03, the Department will expand its electronic tax service (SETS) to allow trucking companies registered with the International Fuel Tax Agreement (IFTA) to file and pay their tax returns online. As well, the Department will continue to promote SETS to encourage more businesses to use this electronic service.

The accounting profession is currently examining a number of changes that are likely to have a significant impact on the government accounting environment over the next few years. In particular, recommendations regarding asset capitalization and the government reporting entity are expected in the next year. Significant work will be required to position the Government to implement these recommendations within desired timelines.

In 2000-01, Treasury Board approved the replacement of the Government's outdated central financial systems. During 2001-02 the MIDAS project was launched with a target date of April 1, 2003 for implementation of Phase 1. The Department will be working in conjunction with external consultants and staff from all Government departments to complete the project on time and on budget. If approved, Phase II will provide additional financial modules including Self Service Requisitions, Automated Approvals and Workflow, Automated Procurement, Capital Assets and Project Management. Phases III and IV will implement modules for Human Resource Management and Payroll.

Further details on the Department's challenges and opportunities for the year ahead can be found in the 2002-03 Performance Plan, which starts on the next column of this page.

Performance Plan

Performance Plan Overview

As part of the implementation of the Government's new approach to planning, performance measurement and reporting, Finance's 2001-02 Annual Report includes a Performance Plan for 2002-03 and beyond.

The Performance Plan includes a vision for the future and long-term goals and objectives that will guide the Department over the next several years. Attached to each objective are several key actions that the Department intends to accomplish in 2002-03.

2002-03 Budget Overview

Operating expenditures for the Department of Finance will be $38,572,000 in 2002-03. This budget is used to maintain the programs and services that make up the mandate for the Department of Finance. This includes the system of revenue collections, the management and control of the finances of the Province, the development of economic and fiscal policy for the Province, the operation of Treasury Board, and supporting the Government in being accountable to the Legislature and the public for the use of public funds.

2002-03 Budget (in thousands of dollars)	
Administration	3,437
Accommodation and Central Services	2,246
Treasury and Debt Management	2,161
Provincial Comptroller	11,438
Budget Analysis	4,206
Revenue	14,602
Personnel Policy Secretariat	387
Miscellaneous Payments	95
Total	**38,572**

Trends and Issues

Saskatchewan Finance operates in an ever-changing environment influenced by the level of available public resources, identified needs of Saskatchewan people, and local and global economics. The following section outlines some of the key issues we face and the various means at our disposal in the day-to-day performance of our duties.

In 2002-03, the Department will expand its electronic tax service (SETS) to allow trucking companies registered with the International Fuel Tax Agreement (IFTA) to file and pay their tax returns online. As well, the Department will continue to promote SETS to encourage more businesses to use this electronic service.

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Financial
One of the Government's major financial management tools is the Fiscal Stabilization Fund. The Fund was established with surplus revenues from the late 1990s and helps to stabilize the Government's program spending when revenues fluctuate.

Evolving Accountability Practices
Over the past 10 years, the Government of Saskatchewan has made many improvements to financial reporting and accountability. The Department of Finance is working in partnership with Executive Council and departments to strengthen planning and performance reporting. The emphasis is on accountability for results – articulating desired outcomes, measuring whether government services are successful and reporting back on actual results.

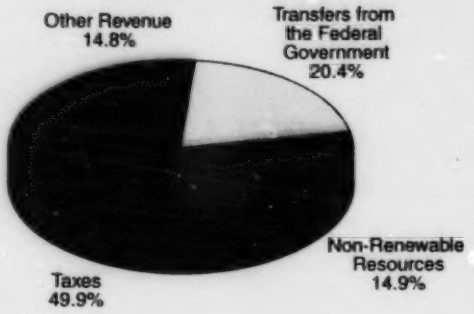
The Saskatchewan Economy
Saskatchewan has an open economy that is subject to many influences, both within and beyond the Government's control. These influences range from taxation levels and local economic policy to inflation and global commodity prices.

Federal-Provincial Relations
Relations with the federal government impact our ability to maintain and enhance the Province's fiscal position. We continue to urge the federal government to renew its commitment to a strong and adequate Equalization program and to address the growing financial costs associated with Canada's social programs. The Department has also been working towards a new Tax Collection Agreement with the federal government to reach a durable and balanced arrangement.

Taxes and Revenue
Saskatchewan's "own-source" revenue is generated mainly from taxes, non-renewable resources and transfers from Crown entities. The federal government also provides revenue, primarily through the Canada Health and Social Transfer Program and the Equalization Program.

For the 10 years ending 2001-02, total revenue grew at an average annual rate of 3.7 per cent, while the economy grew at an average annual rate of 5.0 per cent during the same period.

General Revenue Fund:
Sources of Revenue 2001-02



Where we are headed, what we intend to do and how we will measure progress

Our Vision

As a leading Canadian finance department, Saskatchewan Finance pursues accountable, fiscally responsible government, prosperity and social well-being.

Our Goals

Our new strategic plan identified the following goals to guide us toward our vision:

Goal 1: Saskatchewan is fiscally strong and stable
Goal 2: Saskatchewan is a prosperous and socially responsible Province
Goal 3: Government is accountable for its revenues, expenditures and results
Goal 4: Saskatchewan Finance provides excellent services to its clients

The achievement of some of these goals requires commitment and participation by organizations, individuals and environmental factors beyond the influence of the Department of Finance. We firmly believe, however, that we can make a significant contribution and therefore we will hold ourselves accountable to a specific set of objectives in pursuit of our goals.

Our Objectives

- A sound financial plan
- A simple, fair, competitive tax structure
- Effective government planning, performance measurement and reporting
- Effective government-wide financial management practices
- Accurate and timely information and services
- Ease of tax compliance

Under each objective, the Department has developed a number of key actions for the 2002-03 fiscal year. The Department has started to develop performance measures to gauge our progress in achieving our objectives and improving our accountability. Future plans will build on this base and add target information. Some of the measurements are in place and others will be developed over time. These will provide the basis for the Department's report at the end of the fiscal year.

Goal 1: Saskatchewan is Fiscally Strong and Stable

Objective 1: A sound financial plan

The Department contributes to the Province through the development and maintenance of a financial plan.

In 2002-03, the Department will provide ongoing information, analyses and policy options that Government decision-makers need to develop and deliver annual budgets and effectively allocate resources. As well, we will focus on strengthening federal-provincial fiscal relations to ensure adequate support for Saskatchewan's public services.

Fiscal strength and stability are important indicators for those who live in our Province, and those who are looking to invest. Saskatchewan people have made significant contributions and sacrifices over the past decade to reduce the financial burden on future generations.

Investors have noted our progress and bond rating agencies have rewarded the Province with nine credit rating upgrades during the seven years ending March 31, 2002.

Key Actions for 2002-03

- Continue to work with federal, provincial and territorial governments to address the fiscal imbalance that exists between federal/provincial responsibilities and revenues
- Continue to design and operate a budget process that provides realistic program options and the information necessary to analyze those options
- Continue to review departmental strategic plans, measures and results to ensure that programs and services are achieving the desired results
- Continue to issue timely economic forecasts, reports and analyses
- Continue to optimize the Government's cost of borrowing

What are we measuring?
Government Debt/GDP ratio

Gross Domestic Product (GDP) is the total value of all goods and services produced in the economy.

Government Debt is the debt incurred to fund deficits and cash shortfalls that must be repaid using future government receipts. This does not include debt incurred for and repayable by Crown corporations.

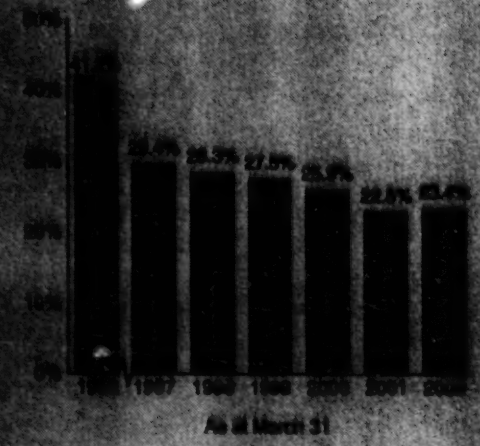
Investor confidence is influenced by this ratio because it provides investors with a measure of the Province's debt relative to the income available to manage that debt.

The Department is able to influence many of the factors that contribute to the size of the Government's debt and GDP levels by providing advice to decision-makers and adhering to prudent debt management policies. However, factors such as the state of the global, North American and Canadian economies are beyond the Department's control.

Where are we starting from?

The Public Accounts at March 31, 2002 show a Government Debt/GDP ratio of 23.4 per cent.

Government Debt as a percentage of GDP



What are we measuring?
Credit Ratings

A credit rating is an evaluation by an independent, objective agency of a borrower's capability to service and repay debt. The borrower may be a private firm, or a public entity such as a provincial or national government. An upgrade in your credit rating means there has been an improvement in your financial position.

Factors used to reach a credit rating include:

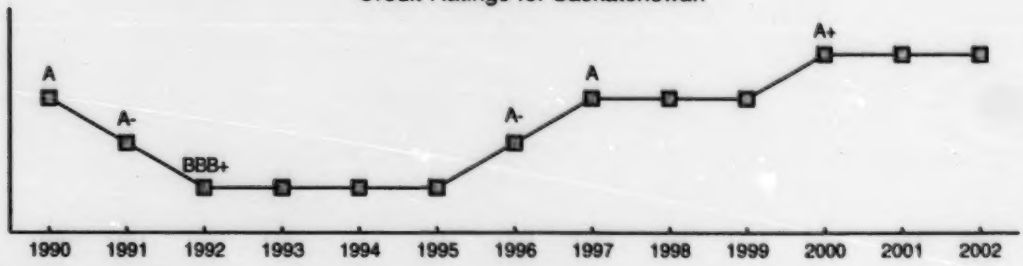
- government structure and intergovernmental relations
- economy
- budget
- financial position
- policy direction and overall management ability

Where are we starting from?

At March 31, 2002, Saskatchewan's credit ratings were:

- Standard & Poor's: A+
- Moody's Investors Service: A1
- Dominion Bond Rating Service: A

Standard & Poor's
Credit Ratings for Saskatchewan



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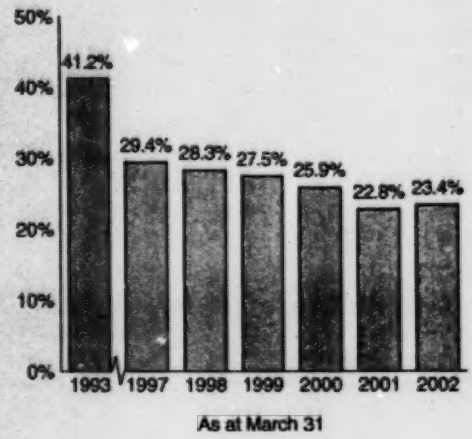

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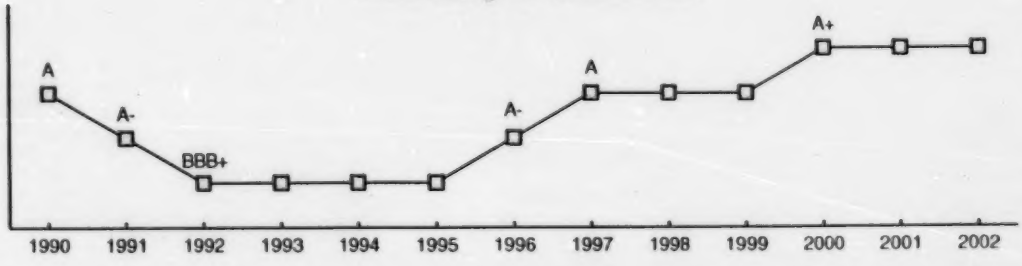

Goal 2: Saskatchewan is a Prosperous and Socially Responsible Province

Objective 1: A simple, fair, competitive tax structure

A simple, fair and competitive tax structure promotes prosperity through tax competitiveness, and enhances social responsibility by ensuring adequate resources for important public services.

Competitive taxes are a key feature in a jurisdiction's ability to compete for jobs and investments. Our objective is to improve tax fairness, simplicity and competitiveness.

Key Actions for 2002-03

- Continue implementation of the personal tax reforms introduced in the 2000-01 Budget
- Complete federal-provincial discussions on the tax collection agreements
- Review fees and charges that have been identified by Saskatchewan businesses
- Complete taxation arrangements with First Nations and on-reserve retailers

What are we measuring?
The level of average income and sales taxes of taxpayers

Taxes are paid by provincial residents to fund key public services like health care, education and highways. Saskatchewan tax levels are held as low as possible while ensuring adequate resources to pay for services and to ensure the financial stability of the Province.

Where are we starting from?

As of 2001-02, taxes were as follows:
- Single parent at $25,000 paid $691
- One income family at $50,000 paid $4,486
- Two income family at $75,000 paid $6,983

What are we measuring?
Tax ranking with other provinces

Tax levels play an important role in shaping the economic future of the Province. This measure shows our combined income and sales tax competitiveness on an interprovincial tax comparison basis.

Where are we starting from?

As of 2001-02, our rankings were as follows:
- Single parent at $25,000 – 5th lowest
- One income family at $50,000 – 4th lowest
- Two income family at $75,000 – 4th lowest

What are we measuring?
Tax progressiveness

The Department's progressiveness index compares the level of income and sales tax paid by a lower income family with that paid by an upper income family. It measures how much more tax is paid as income rises – the higher the index, the more progressive the tax system. In 2000-01, the index was 12.

Where are we starting from?

In 2001-02, the value of the tax progressiveness index was 15.

Goal 3: Government is Accountable for Its Revenues, Expenditures and Results

Objective 1: Effective government planning, performance measurement and reporting

The Department is working in partnership with Executive Council to lead implementation of a new approach to planning, performance measurement and reporting across executive government. Departments are developing performance plans that will outline what they intend to achieve over the next several years, the specific actions they will take in the coming year and how progress will be measured. Following year end, performance reports will explain what departments achieved compared to the expectations set out in their performance plans.

Continued strong financial reporting is also key to strong accountability. Timely, reliable and relevant financial information provides the necessary accounting for the receipt and spending of public funds.

Key Actions for 2002-03

- Improve reporting by phasing in the public release of department performance plans, releasing a mid-year Budget update on progress and focusing department annual reports on performance measures and results
- Promote greater public understanding of financial decisions and Budget initiatives

- Prepare and release the Province's Public Accounts on a timely basis
- Prepare and release quarterly financial reports

What are we measuring?
Financial reports for timeliness, reliability and relevance

Timely, reliable and relevant financial reports provide the public with the means to evaluate government performance. This measure includes the date which the Public Accounts are released and the number of audit qualifications received.

Where are we starting from?

During 2001-02, Volume 1 of the 2000-01 Public Accounts was released within 120 days of the fiscal year end and there were no qualifications to the summary financial statements, and only two audit qualifications to the GRF.

Objective 2: Effective government-wide financial management practices

Effective government-wide financial management practices are essential to the operation of government. The Department of Finance is committed to a high standard concerning financial systems and practices for managing public resources and achieving fiscal accountability. The Department provides direction to, and works with other departments and agencies to ensure appropriate financial management practices are employed.

Key Actions for 2002-03

- Develop, implement and monitor financial policies and procedures for the Government and conduct internal control reviews of the financial systems of government departments
- Complete Phase I of the replacement of the current Base Financial System on time and within budget

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What are we measuring?
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Taxes are paid by provincial residents to fund key public services like health care, education and highways. Saskatchewan tax levels are held as low as possible while ensuring adequate resources to pay for services and to ensure the financial stability of the Province.

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Key Actions for 2002-03

- Develop, implement and monitor financial policies and procedures for the Government and conduct internal control reviews of the financial systems of government departments
- Complete Phase I of the replacement of the current Base Financial System on time and within budget

What are we measuring?
The Department's ability to instill sound financial management practices throughout Government. This measure will track the number of significant deficiencies that were detected but not appropriately addressed by the affected departments.

The Government must have effective financial management policies and procedures in place and functioning properly to ensure that public funds are received, recorded and disbursed properly and as directed by the Legislature.

Where are we starting from?

During 2001-02, the affected departments appropriately addressed all detected significant deficiencies.

What are we measuring?
The successful completion of the Base Financial System replacement on time and within budget.

In order to provide the financial services required by the Government, it is critical that the Department implement each phase of the new Base Financial System on time and on budget, and that the new system meets the needs of the users.

Where are we starting from?

During 2000-01, Treasury Board approved, in principle, the replacement of the central systems over five years. The first phase of MIDAS (Multi-Informational Database Applications) was launched in 2001-02 and is on schedule and on budget.

Goal 4: Saskatchewan Finance Provides Excellent Services to Its Clients

Objective 1: Accurate and timely information and services

The Department is committed to serving its clients – individuals and businesses, government departments and decision-makers, and the public at large – with integrity and professionalism. We continually seek ways to respond more effectively and efficiently to our clients' needs.

Key Actions for 2002-03

- Improve access to information through a redesigned Internet website
- Respond promptly to requests for tax information
- Process tax refunds efficiently
- Prepare and distribute economic forecasts twice a year

What are we measuring?
Client satisfaction through surveys.

Timely, precise and relevant information provides the public with the knowledge to evaluate the Department's performance.

Where are we starting from?

During 2002-03, the Department will conduct surveys of businesses collecting taxes on behalf of Government. Baseline is under development.

Objective 2: Ease of tax compliance

We are working closely with the Government's Information Technology Office (ITO) to respond to the growing public demand for fast, timely delivery of services and information. The progress made by Government as a whole will allow us to continue developing innovative solutions, such as the Saskatchewan Electronic Tax Service (SETS), which went live in September 2001. We are particularly proud of SETS, which is believed to be the first electronic tax filing system of its kind in Canada.

Key Actions for 2002-03

- Fully implement e-filing for businesses and farmers
- Contact all businesses encouraging use of e-filing
- Fully implement up-front gasoline tax exemption for farmers

What are we measuring?
Businesses or farmers filing or accessing accounts online

This measure tracks the number of businesses or farmers filing or accessing accounts online.

Where are we starting from?

During 2001-02:

- 740 businesses filed returns or accessed their accounts online
- 2,072 farmers applied for fuel tax rebates online

Contact Information:
If you have any questions or comments about the plan, or would like additional copies, call:
1-866-862-6246

Or contact the Communications Branch
2350 Albert Street
Regina, Saskatchewan S4P 4A6
Or visit us online at:
http://www.gov.sk.ca/finance

What are we measuring?
The Department's ability to instill sound financial management practices throughout Government. This measure will track the number of significant deficiencies that were detected but not appropriately addressed by the affected departments.

Where are we starting from?

The Government must have effective financial management policies and procedures in place and functioning properly to ensure that public funds are received, recorded and disbursed properly and as directed by the Legislature.

During 2001-02, the affected departments appropriately addressed all detected significant deficiencies.

What are we measuring?
The successful completion of the Base Financial System replacement on time and within budget.

Where are we starting from?

In order to provide the financial services required by the Government, it is critical that the Department implement each phase of the new Base Financial System on time and on budget, and that the new system meets the needs of the users.

During 2000-01, Treasury Board approved, in principle, the replacement of the central systems over five years. The first phase of MIDAS (Multi-Informational Database Applications) was launched in 2001-02 and is on schedule and on budget.

Goal 4: Saskatchewan Finance Provides Excellent Services to Its Clients

Objective 1: Accurate and timely information and services

Key Actions for 2002-03

The Department is committed to serving its clients – individuals and businesses, government departments and decision-makers, and the public at large – with integrity and professionalism. We continually seek ways to respond more effectively and efficiently to our clients' needs.

- Improve access to information through a redesigned Internet website
- Respond promptly to requests for tax information
- Process tax refunds efficiently
- Prepare and distribute economic forecasts twice a year

What are we measuring?
Client satisfaction through surveys

Where are we starting from?

Timely, reliable and relevant information provides the public with the knowledge to evaluate the Department's performance.

During 2002-03, the Department will conduct surveys of businesses collecting taxes on behalf of Government. Baseline is under development.

Objective 2: Ease of tax compliance

We are working closely with the Government's Information Technology Office (ITO) to respond to the growing public demand for fast, timely delivery of services and information. The progress made by Government as a whole will allow us to continue developing innovative solutions, such as the Saskatchewan Electronic Tax Service (SETS), which went live in September 2001. We are particularly proud of SETS, which is believed to be the first electronic tax filing system of its kind in Canada.

Key Actions for 2002-03

- Fully implement e-filing for businesses and farmers
- Contact all businesses encouraging use of e-filing
- Fully implement up-front gasoline tax exemption for farmers

What are we measuring?
Businesses or farmers filing or accessing accounts online

This measure tracks the number of businesses or farmers filing or accessing accounts online.

Where are we starting from?

During 2001-02:

- **740 businesses filed returns or accessed their accounts online**
- **2,072 farmers applied for fuel tax rebates online**

Contact Information:
If you have any questions or comments about the plan, or would like additional copies, call:
1-866-862-6246

Or contact the Communications Branch
2350 Albert Street
Regina, Saskatchewan S4P 4A6
Or visit us online at:
http://www.gov.sk.ca/finance

Appendix A

Senior Management Committee

Ron Styles, Deputy Minister

Kirk McGregor, Assistant Deputy Minister
Taxation and Intergovernmental Affairs Branch

Terry Paton, Provincial Comptroller
Provincial Comptroller's Division

Dennis Polowyk, Assistant Deputy Minister
Treasury and Debt Management Division

Len Rog, Assistant Deputy Minister
Revenue Division

Glen Veikle, Assistant Deputy Minister
Treasury Board Branch

Joanne Brockman, Executive Director
Economic and Fiscal Policy Branch

Cathy Johnson, Chief Information Officer
Information Technology Branch

Naomi Mellor, Executive Director
Performance Management Branch

Janine Reed, Acting Executive Director
Personnel Policy Secretariat

Brian Smith, Executive Director
Public Employees Benefits Agency

Bill Van Sickle, Executive Director
Corporate Services Division

Jim Graham, Director
Human Resources Branch

Mike Woods, Director
Communications Branch

Kevin Banman, Executive Assistant to the
Deputy Minister

Mag Massier, Senior Administrative Assistant

Appendix B
Organizational Chart

Appendix C: Financial Schedules

Summary of Expenditures

The following expenditures for the Department of Finance are summarized by our Core Business Areas:

(thousands of dollars)

	2000-01 Actual	2001-02 Budget	2001-02 Actual	2001-02 Variance
Revenue, Expenditure, Fiscal and Economic Policy				
Operations	$ 3,576	$ 3,693	$ 3,341	$ (352)
Comptrollership/Financial Management				
Operations	4,739	10,862	10,363	(499)
Revenue Operations				
Operations	9,411	9,617	9,328	(289)
Allowance for Doubtful Accounts	1,600	1,600	1,600	-
CCRA Income Tax Administration	N/A	2,079	1,902	(177)
Treasury and Debt Management				
Operations	2,002	2,149	1,995	(154)
Other	-	25	-	(25)
Government Planning and Reporting				
Operations	344	692	442	(250)
Corporate Services				
Operations	3,653	3,701	3,866	165
Accommodation and Central Services	2,055	1,965	2,126	161
Other	2,032	70	1,350	1,280
Personnel Policy Secretariat				
Operations	361	370	297	(73)
Pension and Benefits Administration				
Operations	1,221	1,479	1,107	(372)
Pension and Benefits *	166,917	174,016	173,784	(232)
Total Department of Finance	**$ 197,911**	**$ 212,318**	**$ 211,501**	**$ (817)**

* These expenditures represent the employer paid portion of government pension and benefit programs and are paid by the Department of Finance on behalf of all executive government departments and agencies.

Servicing the Public Debt

	(thousands of dollars)			
	2000-01 Actual	2001-02 Budget	2001-02 Actual	2001-02 Variance
Servicing the Public Debt				
Interest on the Public Debt	$ 642,052	$ 616,433	$ 591,963	$ (24,470)
Foreign Currency Adjustment	14,095	14,817	17,196	2,379
Fees and Commissions	7,945	9,250	7,652	(1,598)
Total Servicing the Public Debt	**$ 664,092**	**$ 640,500**	**$ 616,811**	**$ (23,689)**

Summary of Revenue

	(thousands of dollars)			
	2000-01 Actual	2001-02 Budget	2001-02 Actual	2001-02 Variance
Corporation Capital	$ 342,242	$ 367,700	$ 363,204	$ (4,496)
Corporation Income	333,299	273,100	145,338	(127,762)
Fuel	345,136	367,700	353,765	(13,935)
Individual Income	1,255,409	1,184,900	1,196,410	11,510
Sales	736,563	795,500	770,984	(24,516)
Tobacco	122,012	124,600	120,049	(4,551)
Other	59,598	56,900	64,337	7,437
Taxes	**$ 3,194,259**	**$ 3,170,400**	**$ 3,014,087**	**$ (156,313)**
Crown Investments Corporation of Saskatchewan	$ ---	$ 200,000	$ 200,000	$ 0
Saskatchewan Liquor and Gaming Authority	1,016,212	312,700	315,710	3,010
Other Enterprises and Funds	22,709	25,350	26,505	1,155
Transfers from Crown Entities	**$ 1,038,921**	**$ 538,050**	**$ 542,215**	**$ 4,165**
Interest, Premium, Discount and Exchange	$ 53,922	45,915	39,442	(6,473)
Motor Vehicle Fees	113,842	112,700	117,896	5,196
Other Licences and Permits	89	86	88	2
Sales, Services and Service Fees	447	450	320	(130)
Other	7,405	6,961	7,595	634
Other Revenue	**$ 175,705**	**$ 166,112**	**$ 165,341**	**$ (771)**
Canada Health and Social Transfer	$ 552,378	$ 594,000	$ 608,908	$ 14,908
Equalization Payments	175,247	377,000	492,017	115,017
Other	35,497	2,147	2,243	$ 96
Transfers from the Government of Canada	**$ 763,122**	**$ 973,147**	**$ 1,103,168**	**$ 130,021**
Total Department of Finance Revenue	**$ 5,172,007**	**$ 4,847,709**	**$ 4,824,811**	**$ (22,898)**

Appendix D

Public Employees Benefits Agency

The Public Employees Benefits Agency (PEBA) provides the day-to-day administration of public sector pension and benefit programs.

During the fiscal year, a committee of PEBA management and staff began the development of the Agency's strategic plan. The plan will be finalized in the 2002-03 fiscal year.

PEBA continued to provide research and guidance to pension and benefits boards to facilitate the documenting of each pension board's governance strategy. Good governance is developing, documenting, implementing and abiding by policies and procedures that facilitate the efficient administration of pension and benefit plans. Boards conducting themselves using good governance practices is not new. The documentation and ongoing review of governance is an expectation in the pension and benefit industry.

Greater emphasis was placed on staff development and training throughout the fiscal year. PEBA employees enhanced their pension, benefit and governance knowledge, participated in supervisory and management training, and received software training. Training is targeted to address specific employee, organization, and client needs.

May 1, 2002 marks the 75th anniversary of the Public Service Superannuation Plan. For the first time in the Plan's history, personal pension statements will be printed and distributed to plan members in the 2002 fiscal year.

The Extended Health Care Plan For Retired Employees and The Extended Health Care Plan for Certain Other Retired Employees are two new plans that PEBA now administers on behalf of the Public Service Commission. The Plans came into effect for eligible retired persons on January 1, 2002.

The Public Employees Benefits Agency administers the following pension and benefit plans:

Pension Programs

Anti-Tuberculosis League Employees Superannuation Plan

Judges of the Provincial Court Superannuation Plan

Liquor Board Superannuation Plan

The Members of the Legislative Assembly Superannuation Plan

Municipal Employees' Pension Plan

Public Employees Pension Plan

Public Service Superannuation Plan

Saskatchewan Pension Annuity Fund

Saskatchewan Transportation Company Employees Superannuation Plan

Workers' Compensation Board Superannuation Plan

Benefit Plans

Additional Pension Contribution Program

Deferred Salary Leave Plan

Extended Health Care Plan

Extended Health Care Plan for Certain Other Employees

Public Employees Dental Plan

Public Employees Disability Income Plan

Public Employees Group Life Insurance Plan

Scheduled Aircraft Insurance Plan

Unscheduled Aircraft Insurance Plan

Additional Benefit Plans Administered for Employers

The Extended Health Care Plan for Retired Employees

The Extended Health Care Plan for Certain Other Retired Employees

The Government of Saskatchewan and Canadian Union of Public Employees Local No. 600-3 Benefits Plans Surplus Fund

The Government of Saskatchewan and Saskatchewan Government and General Employees' Union Benefit Plans' Surplus Fund

The SaskPower Millennium Trust Fund

The SaskPower Supplementary Superannuation Plan

Appendix E

Publication List

Annual Report

Budget Information
- Budget Address
- Budget Estimates
- Supplementary Estimates

Public Accounts
- Public Accounts – Volume I and II
- Financial Statements – Compendium

Quarterly Reports
- First Quarter Financial Report
- Mid-Year Financial Report
- Third Quarter Financial Report

These publications and others are available at the Department of Finance's website at:

www.gov.sk.ca/finance

Publications on programs administered by the Public Employees Benefits Agency are available at:

www.peba.gov.sk.ca

The Saskatchewan Bureau of Statistics operates under *The Saskatchewan Statistics Act, 1972* and is part of the Department of Finance. Publications and compendiums produced by the Bureau of Statistics, including the Economic Review, are available at:

www.gov.sk.ca/bureau.stats/

Appendix F

Legislation

Under Order-in-Council No. 205/2002 dated March 26, 2002, the Minister of Finance is responsible for the following Acts of the Legislative Assembly:

Balanced Budget Act
Certified General Accountants Act, 1994
Certified Management Accountants Act
Certified Management Consultants Act
Chartered Accountants Act, 1986
Corporation Capital Tax Act
Crown Foundations Act
Federal-Provincial Agreements Act
Financial Administration Act, 1993
Fiscal Stabilization Fund Act
Fuel Tax Act, 2000
Home Energy Loan Act
Income Tax Act
Income Tax Act, 2000
Insurance Premiums Tax Act
Liquor Consumption Tax Act
Management Accountants Act
Members of the Legislative Assembly Superannuation Act, 1979
Motor Vehicle Insurance Premiums Tax Act
Municipal Employees' Pension Act
Municipal Financing Corporation Act
Provincial Auditor Act
Provincial Sales Tax Act
Public Employees Pension Plan Act
Public Service Superannuation Act
Revenue and Financial Services Act
Saskatchewan Development Fund Act
Saskatchewan Pension Annuity Fund Act
Saskatchewan Pension Plan Act
Statistics Act
Superannuation (Supplementary Provisions) Act
Tobacco Tax Act, 1998

Although not listed in the Order-in-Council, the Minister is also responsible for The Appropriation Act.

Furthermore, the Department has responsibilities under the following legislation:

Fire Prevention Act, 1992
Liquor Board Superannuation Act
Provincial Court Act
Public Health Act, 1994
Saskatchewan Assistance Act
Vehicle Administration Act
Worker's Compensation Board Superannuation Act

Appendix G

Treasury Board, The Budget Process and Public Accounts

Key decisions about the Province's finances, including the development of the annual Budget, are the responsibility of Treasury Board, a committee of Cabinet Ministers. The powers and duties of Treasury Board are contained in sections 4 and 5 of *The Financial Administration Act, 1993*. The Minister of Finance is the Chair of Treasury Board and the Deputy Minister of Finance is the Board's Secretary. Department of Finance staff act as a resource to Treasury Board in the performance of its duties.

The Department of Finance assists and supports Treasury Board in fulfilling its duties, which include:

- managing the Government's revenues, expenditures, assets and liabilities;
- evaluating Government programs and services;
- establishing and overseeing Government administrative policy and management practices and systems;
- developing and monitoring Government accounting policies and practices;
- reviewing and making recommendations on the organization of all or any part of Government;
- providing Cabinet with policy recommendations to address Government programming and fiscal issues; and,
- reviewing Budget proposals and overseeing the development of the Government's annual Budget.

One of the primary responsibilities of the Department of Finance is to assist Treasury Board in developing and managing the annual Budget. Presented each year in the Legislative Assembly by the Minister of Finance, the Budget sets forth in detail how public funds will be allocated among all government programs and services in the coming fiscal year. It also establishes future directions for government programs and appropriate levels of taxation to maintain those programs.

The process starts each spring with a Call for Plans, which directs departments to develop their strategic direction for the year, including goals, objectives, performance measures and key actions. Each year, Cabinet meets early in the Fall to develop budget guidelines based on overall public priorities as determined by the Government. These guidelines are conveyed to departments to guide them when preparing their budget requests. Treasury Board, with the support and advice of the Department of Finance, assesses the plans and budget requests, evaluates competing priorities, and recommends a budget package to Cabinet.

Once Cabinet has finalized the budget package, the Department produces the Budget Address, annual Estimates and supporting materials and arranges for the dissemination of budget information to key stakeholders and the public.

Throughout the year, the Department of Finance issues First Quarter, Mid-Year and Third Quarter Reports, which update revenue, expenditure and debt forecasts based on economic changes and other developments that have occurred to certain points of the fiscal year. In addition, the Mid-Year Report updates actual performance compared to key commitments made in the Budget.

Within 120 days of the end of the fiscal year, The Department of Finance prepares the annual Public Accounts for the Minister of Finance to table in the Legislative Assembly. In effect, the Public Accounts serve as a fourth quarter report. The Public Accounts summarize the results of Government operations for the fiscal year and provide a comparison of actual results to Budget Estimates.

The Legislative Assembly establishes a Standing Committee on Public Accounts at the beginning of each Legislative sitting to review the Government's expenditures through analysis of the Public Accounts and the Provincial Auditor's report. The Committee plays a key role in maintaining Government accountability.

The Committee is assisted in its deliberations by the attendance of the Provincial Comptroller, the Provincial Auditor and department officials, each of whom provides information and answers questions from Members.

The Committee summarizes its recommendations in periodic reports to the Legislative Assembly. The Department of Finance assists the Government in preparing a formal response describing the actions taken as a result of the Committee's recommendations. The financial accountability cycle is completed when the Committee reviews the Government's response and actions.

Appendix H

Glossary of Terms

Appropriation
An amount of funding that the Legislature has authorized for a particular purpose.

Credit Rating
An evaluation of the ability and willingness of a borrower to service and repay debt in a timely manner. Credit ratings are a key factor in determining the cost and availability of credit to a borrower. Borrowers with lower credit ratings pay more to lenders or investors than those with a higher rating. Many investors, such as pension funds, have guidelines restricting their lending to only those borrowers with above a minimum standard (level) credit rating.

Debt Servicing Costs
Costs associated with servicing the debt of the General Revenue Fund. The costs include interest, foreign exchange gains and losses, discounts, fees and commissions. Costs incurred for financing Crown corporations' debt are reimbursed by the Crown corporations.

Department
An organizational unit of Executive Government created for the purpose of managing related programs.

Estimates
Documents tabled outlining the Government's detailed financial plan for the year which form the basis for the requested appropriations. Estimates are tabled every year with the Budget Address.

Expenditure
The cost of operating government identified with a particular fiscal year or time period. Expenditures include the cost of government operated programs, interest on the public debt, transfer payments and capital acquisitions.

Financial System
Any system, manual or computerized, used to report or process transactions or data related to revenues, expenditures, assets or liabilities.

Fiscal Stabilization Fund (FSF)
The FSF was established April 1, 2000 by *The Fiscal Stabilization Fund Act*. Its purpose is to stabilize the fiscal position of the Government to facilitate long-term planning. Stabilization occurs through transfers between the FSF and the General Revenue Fund (GRF) as approved by Treasury Board. Transfers to the FSF from the GRF are statutory disbursements. Amounts transferred to the GRF from the FSF are available for expenditure subsequent to receiving required approval from the Legislative Assembly.

Fiscal Year
The period commencing on April 1 in one calendar year and ending on March 31 in the following calendar year.

General Revenue Fund (GRF)
The fund into which all revenues are paid, unless otherwise provided for by legislation, and from which all expenditures are appropriated by the Legislative Assembly.

General Revenue Fund Financial Statements
The financial statements prepared for the moneys appropriated by the Legislative Assembly.

Gross Debt
The gross debt of the Province consists of money owed directly to lenders through the sale of short-term promissory notes and medium and long-term debentures in the capital markets, as well as the amount owed to holders of Saskatchewan Savings Bonds.

Guaranteed Debt
The debt of Crown corporations and others that the Province has promised to repay if the debt issuer is unable to do so.

Performance Measurement
Performance measurement is a process of regularly assessing progress towards achieving the outcomes articulated in a strategic plan. Measurement results are analyzed, reported and the knowledge gained is used by the organization to modify and improve future plans.

Public Accounts
The Public Accounts of the Government of Saskatchewan are organized into two reports. Volume 1 contains the General Revenue Fund Financial Statements and the Summary Financial Statements. These are the main financial statements of the Government of Saskatchewan. Volume 2 contains details on revenue and expenditure of the General Revenue Fund, financial information on the superannuation and trust funds administered by the Government, and a listing of remissions of taxes and fees.

Revenue
The gross proceeds applicable to a fiscal year from taxes, licenses, transfer payments and sources other than borrowing.

Revolving Funds
Funds established by statute which are used to isolate certain items of related revenue and expenditure. Revolving funds are net budgeted in the Estimates, and are used for specific government operations that recover all or a portion of the associated costs from the funds' users.

Sinking Funds
Funds set aside to provide for the orderly retirement of a portion of the Province's debt.

Strategic Planning
Strategic planning is a practical, action-oriented process that sets goals and allocates resources to achieve meaningful results over time. Plans describe the outcomes that the organization intends to achieve over the planning period (goals and objectives) and the key actions that will be taken in the short term to move the organization toward its desired outcomes.

Summary Financial Statements
The financial statements that report on the consolidated financial resources and activities of all government organizations, including government boards, agencies, commissions, funds and Crown corporations.

Total Debt
The total debt of the General Revenue Fund consists of:

- gross debt – the amount of money owed to lenders, plus
- guaranteed debt – the debt of Crown corporations and others that the Province has promised to repay if they are unable to do so; less
- sinking funds – the amount of money which has been set aside for the repayment of debt.

Transfers
Transfers of money from the Government of Saskatchewan to an individual, organization, authority or other government for which no goods or services are directly received by Government and no repayment is expected in the future. Terms such as "grants" and "entitlements" are often used for transfers.

Transfers to Individuals
Direct or indirect transfers of money for which no public service is required of the recipient. These transfers provide the recipient with a financial benefit and are usually in the nature of income support, subsidy or compensation payment. These transfers may include public goods and services that are income tested.

Transfers for Public Service
Transfers to individuals, organizations, Crown corporations and local authorities (for example: school boards, district health boards and municipalities) to fund public services such as health care and education. Transfers to government organizations and corporations, which in turn provide a direct transfer or subsidy to their clients, are treated as a transfer to an individual.

Contact Information

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